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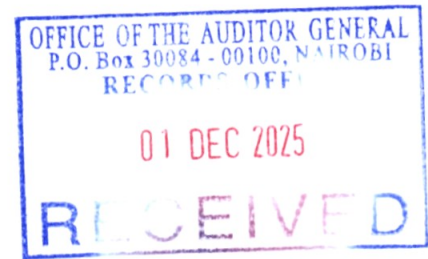
ON

STATE DEPARTMENT FOR FORESTRY

FOR THE YEAR ENDED

30 JUNE, 2025

 THE NATIONAL ASSEMBLY PAPERS LAID	
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STATE DEPARTMENT FOR FORESTRY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2025

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of
Accounting Method Under International Public Sector Accounting Standards (IPSAS)**

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1. Acronyms and Definition of Key Terms

A: Acronyms

CS	<i>Cabinet Secretary</i>
PS	<i>Principal Secretary</i>
SDF	<i>State Department for FOrestry</i>
CBK	<i>Central Bank of Kenya</i>
ICPAK	<i>Institute of Certified Public Accountants of Kenya</i>
IPSAS	<i>International Public Sector Accounting Standards</i>
OCOB	<i>Office of the Controller of Budget</i>
OAG	<i>Office of the Auditor General</i>
OSHA	<i>Occupational Safety and Health Act of 2007</i>
PFM	<i>Public Finance Management</i>
PPE	<i>Property Plant & Equipment</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
SAGAs	<i>Semi-Autonomous Government Agencies</i>
SC	<i>State Corporations</i>
IPSAS	<i>International Public Sector Accounting Standards</i>
TNT	<i>The National Treasury</i>
CFA	<i>Community Forest Associations</i>
WB	<i>World Bank</i>
FLP	<i>Forest Landscape Restoration</i>
PPADA	<i>Public Procurement and Disposal Act</i>
AGPO	<i>Access to Government PProcumernt Opportunities</i>
SDGs	<i>Sustainable Development Goals</i>
PPIP	<i>Public Procurement Information Portal</i>
MTPs	<i>Medium Term Plans</i>
MDA	<i>Ministries, Departments and Agencies</i>
BETA	<i>Bottom up Transformation Agenda</i>
PAC	<i>Public Accounts Committee</i>
PIC	<i>Public Investment Committee</i>
HRMAC	<i>Human Resource Management Advisory Committee</i>

<i>KFS</i>	<i>Kenya Forest Service</i>
<i>KEFRI</i>	<i>Kenya Forestry Research Institute</i>
<i>SMC</i>	<i>Senior Management Committee</i>
<i>EIA</i>	<i>Environment Impact Assessment</i>
<i>EMCA</i>	<i>Environmental Management and Coordination Act</i>
<i>NCCAP</i>	<i>National Climate Change Action Plans</i>
<i>CBD</i>	<i>Convention on Biological Diversity</i>
<i>UNFCCC</i>	<i>United Nations Framework Convention on Climate Change</i>
<i>UNCCD</i>	<i>United Nations Convention to Combat Desertification</i>
<i>PFMSC</i>	<i>Public Finance Management Standing Commiittee</i>

B: Definition of Key Terms

1.Fiduciary Management- Members of Management are directly entrusted with the responsibility of the financial resources of the organisation.

No.	Designation	Name	Date of Appointment
1.	Cabinet Secretary	Dr. Deborah M. Barasa	
2.	Principal Secretary/Accounting Officer	Gitonga Mugambi, CBS	22 nd Feb. 2022
3.	Secretary Administration	Mr. Evans Mutari	7 th July 1995
4.	Secretary, Forest Development	Mr. George Tarus	2 nd June 2025
5.	Director, Agroforestry and Commercial Forestry Division	Dr. Jesse Owino	26 th March, 2025
6.	Director, Forest Management and Conservation Division	Mr. Walter Omondi	11 th January 1989
7.	Director, Ecological Restoration and Biodiversity	Mr. Erick Aktosi	10 th August 1991
8.	Director Human Resource Management & Development	Mr. Omosa Henry	2 nd January 1990
9.	Ag. Director Planning	Mr. Harry Kaudo	11 th August 1992
10.	Senior Chief Finance Officer	CPA. Tobias Osano	2 nd January 2005
11.	Senior Deputy Accountant General	CPA. Charles Minjire	10 th January 1992
12.	Director Supply Chain Management	Mr. Kennedy Omari	30 th May 1996
13.	Head Policy Programs and Strategic Initiatives	Mr. Peterson Kamau	1 st April 1993
14.	Head of Internal Audit	CPA Wycliffe Muturi	12 th June 1989
15.	Director I.C.T.	Mr. Rashid Issauc Ali	25 th June 2024
16.	Head of Public Communication	Ms. Moraa Mogeni	27 th Feb 2025
17.	Landscape restoration and degradation secretariat co-ordinator	Mrs. Susan Boit	20 th May 2024

2. Key MDA Information and Management

(a) Background information

The State Department of Forestry is one of the State Department at the Ministry of Environment, Climate Change and Forestry which was created vide Executive Order No. 1 of 2023 and Revised on the Order No. 2 the same year. The forestry function was hived off from the Ministry's function to form the State Department for Forestry. The agroforestry function from the State Department of Agriculture was also added as one of the functions of the State Department for Forestry

The State Department is committed to facilitating enabling policies, legal and regulatory reforms for promoting sustainability of the forest resources while at the same time mitigating the effects of climate change. In addition, the Department supports and contributes to the country's socio-economic development while meeting the international, regional and national obligations within the Sustainable Development Goals (SDGs), Africa Union Agenda 2063, East African Community Vision 2050, and Kenya Vision 2030

(b) Mandate of the State Department

The State Department for Forestry's mandate is Conservation, Protection, Rehabilitation and Sustainably Managing Forests and Landscape Resources for the present and future generations in line with the Bottom-Up Transformation Agenda (BeTA). This mandate enables the implementation of the Constitution of Kenya provisions in Article 42 that provides every person the right to a clean and healthy environment, which includes the right to have the environment protected for the benefit of present and future generations through legislative and other measures, and to have obligations relating to the environment fulfilled.

Vision

To be the leading Department in the Integrated Management and Conservation of Forests Landscapes for Sustainable Development.

Mission

To provide coordinated policy, legal framework and capacity building through integrated programs for sustainable management and utilization of forest landscape resources for national good development.

Core values

- Professionalism** - The State Department shall uphold professionalism in carrying out its mandate in line with the Constitution
- Integrity** - The State Department shall ascribe to high standards of personal ethics and integrity in the conduct of its affairs
- Teamwork** - The State Department will relentlessly pursue timely attainment of targeted results at all levels through high level coordination, networking and collaboration with all staff
- Innovativeness** - The State Department is committed to innovativeness, creativeness, resourcefulness and focused planning and customer driven service delivery
- Inclusivity** - The State Department shall promote at all times equal access to opportunities and resources.

(c) Key Management

State Department for Forestry is under the leadership of Cabinet Secretary and Principal Secretary whom are responsible for strategic planning, oversight, and implementation of forestry policies, programs, and activities. These individuals play a vital role in ensuring sustainable forest management, conservation, and development.

Cabinet Secretary (CS): Ministry of Environment, Climate Change and Forestry

Role: Political head of the ministry

Responsibilities:

- Provides policy direction and leadership.
- Represents the ministry in Cabinet and Parliament.
- Oversees coordination with development partners and stakeholders.
- Approves strategic plans and national policies on environment, climate, and forestry.

Principal Secretary – State Department for Forestry

Role: Chief Accounting Officer and Authorized Officer. He oversees day to day Human Capacity Development and implementation of policies, departmental workplans and oversight to State Departments SAGAs.

Responsibilities:

- Policy direction and oversight.
- Strategic leadership and coordination.
- Resource mobilization and inter-agency collaboration.
- Oversight of all directorates and agencies under the department.

Directorates/Divisions

The State Department comprises of One (1) Major Technical area, Forest Development, Management and conservation with the following Divisions as:

- i. Landscape restoration and degradation secretariat
- ii. Agroforestry and Commercial Forestry Division.
- iii. Ecological Restoration and Biodiversity Division.
- iv. Policy Programs and Strategic Initiatives Division

The technical departments are supported by Administration and support services.

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(d) Fiduciary Management

The key management personnel who held office during the period ended 30th June, 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name	Date of Appointment
1.	Cabinet Secretary	Dr. Deborah M. Barasa	
2.	Principal Secretary/Accounting Officer	Gitonga Mugambi, CBS	22 nd Feb. 2022
3.	Secretary Administration	Mr. Evans Mutari	7 th July 1995
4.	Secretary, Forest Development	Mr. George Tarus	2 nd June 2025
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15.	Director I.C.T.	Mr. Rashid Issauc Ali	25 th June 2024
16.	Head of Public Communication	Ms. Moraa Mogeni	27 th Feb 2025
17.	Landscape restoration and degradation secretariat co-ordinator	Mrs. Susan Boit	20 th May 2024

(e) Fiduciary Oversight Arrangements

The key Fiduciary oversight arrangements in the State Department are as follows: -

i. Audit Committee

The mandate of the audit committee included:-

- Assisting the accounting officer in enhancing internal controls in order to improve efficiency, transparency and accountability;
- Reviewing audit issues raised by both internal and external auditors;
- Resolving unsettled and unimplemented Public Accounts and Public Investments Committees (PAC/PIC) recommendations; and,
- Communication between Management, internal and external audit and fostering an effective internal audit function.

ii. Senior Management Committees

In the State Department for Forestry, the Senior Management Committees (SMCs) play a critical role in:

- Providing Strategic leadership and policy direction.
- Coordination and monitoring of departmental plans and programs.
- Review of performance, progress reports, and emerging sectoral issues.
- Ensures alignment with national priorities and ministry-wide strategies.

iii. Departmental Human Resource Management Advisory Committee (HRMAC)

The main functions of this committee is to:

- Advises on HR planning, recruitment, deployment, training, promotions, and discipline.
- Addresses staffing gaps and succession planning.
- Ensures compliance with the Public Service Commission and HR policies.

iv. Performance Contract Committee

Performance Contract committee provide the following functions as:

- Oversees development, implementation, and evaluation of Performance Contracts.
- Monitors achievement of targets and key indicators.
- Prepares quarterly and annual performance reports

v. Projects Implementation Committee

Functions:

- Provides guidance and oversight on implementation of technical forestry projects and programs.
- Tracks progress and reports on deliverables.
- Advises on policy and operational improvements for project execution.

vi. Budget Implementation Committee

Functions:

- Preparation of the State Department's budget,
- Reviews the utilization of cash limits and donor funds voted in the State Department including reallocation of expenditures from time to time.
- Reviews and considers the cash flow plans and ensures sound financial reporting including advising the Accounting Officer on any challenges related to Budget Implementation.

vii. Parliamentary Committee Activities

The State Department appears before the Departmental Committee on Environment and Natural Resources to review the budget allocations and expenditures from time to time. The State Department appears before Public Accounts Committee (PAC) to respond to audit issues raised by the Auditor General in the various Audit Reports.

viii. Procurement and Disposal Committee

The Committee functions are:

- Oversees procurement processes, from planning to contract award.
- Ensures compliance with the Public Procurement and Asset Disposal Act.
- Manages disposal of unserviceable, obsolete, or surplus stores/assets.
- Promotes staff wellness, occupational safety, and a healthy work environment.
- Organizes wellness programs and employee support services.

ix. PFMSC

The State Department established a PFMSC Committee which has the following objectives:

To ensure that the state Department achieves a zero fault Audit through;

- (a) Prioritization of resources

- (b) Regular reviewing, monitoring budget implementation.
- (c) Identifying the risks and taking appropriate mechanisms to mitigate
- (d) Instituting adequate Internal controls that guarantee compliance with laws, regulations, rules and guidelines.
- (e) Information sharing with all stakeholders
- (f) Exercising Corporate Governance
- (g) Timely response to audit Queries and prompt action on Audit resolutions
- (h) Fast response to all matters from oversight bodies and stakeholders

(f) State Department for Forestry Headquarters

P.O. Box 30126-00100
SHA Building
Ragati Road
Nairobi, Kenya

g) Contacts

Telephone: (254) 20 2730808/9
E-mail: ps@forestry.go.ke
Website: forestry.go.ke

h) State Department For Forestry Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

i) Independent Auditors

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. Profile of Cabinet Secretary



Dr. Deborah M. Barasa

Key Professional/Academic Qualifications

- **Bachelor of Medicine and Bachelor of Surgery (MBChB)**
University of Nairobi (Graduated in 2006)
- **Master of Medicine in Internal Medicine**
University of Nairobi (Completed between September 2012 and December 2017)

Designation

Dr. Deborah M. Barasa, currently serves as the Cabinet Secretary (CS) in the Ministry of Environment, Climate Change and Forestry. She was appointed to this position on April, 2025, and she was formerly serving as the Cabinet Secretary for Health

Responsibilities

As Cabinet Secretary she:

- Formulate, implement, and review national policies, strategies, and legislation related to environment, climate change, forestry, and natural resource management
- Provide strategic leadership to the Ministry and its departments, state corporations, and agencies
- Lead national awareness campaigns on environmental conservation and climate action
- Mobilize domestic and international financial and technical resources for environmental, climate change, and forestry initiatives
- Advise the President and Cabinet on environment, climate change, and forestry matters

4. Profile of Accounting Officer and Key Management.

Accounting Officer and Authorized Officer



Mr. Gitonga Mugambi, CBS

Key Professional/Academic qualifications

- **Master of Business Administration (MBA)** in Strategic Management, Kenya Methodist University
- **Bachelor of Science in Agronomy** University of Nairobi

Designation

Gitonga Mugambi, CBS, currently serves as the Principal Secretary (PS) in Kenya's State Department for Forestry under the Ministry of Environment, Climate Change and Forestry. He was appointed to this position on May 16, 2023, following a reassignment of duty from the State Department for Irrigation, where he had served since December 1, 2022.

Responsibilities

As Principal Secretary, Mr. Mugambi oversees the State Department for Forestry, which is responsible for:

- Developing and implementing forestry development policies
- Managing forestry resources
- Supporting climate change action policies
- Promoting the development of forests, re-afforestation, and agroforestry initiatives
- His role includes guiding national efforts such as the 15 Billion Tree Growing Initiative, aiming to restore degraded landscapes and achieve a 30% tree cover by 2032 .
- He also plays a pivotal role in policy formulation, including the development of the National Forest Policy 2023 and amendments to the Forest Conservation and Management Act 2016, to enhance sustainable forest management and community engagement
- Mr. Mugambi's leadership emphasizes collaborative approaches to forest restoration, integrating science-based technologies, and promoting agroforestry to support sustainable livelihoods and environmental conservation

5. Statement by the Cabinet Secretary



The overall goal of the Ministry is to deliver to Kenyans a clean, healthy, safe and sustainably managed environment. This is in fulfilment of constitutional provision which entitles every citizen to a clean and healthy environment and also calls for sustainable exploitation, utilization, management and conservation of the environment. The Constitution at the same time requires the Government to achieve and maintain a tree cover of at least 30% of the land area of Kenya.

During the FY 2024/25, the State Department together with her stakeholders utilized the allocated funds to implement strategic activities which enabled it deliver on its mandate. On policies development, the State Department conducted various public participation sessions in regards to development of its 8 regulations aimed at implementing the Forest Management and Conservation Act 2016. The Forest Management and Conservation Amendment Bill 2025, also went through the rigorous public participation session and is awaiting the National Assembly approval. The Department has also undergone the public participation on the development of the major strategies like the REDD+ and the Agroforestry. All these are necessary pursuant to Article 201 of the Constitution of Kenya. The State Department undertook strategic interventions towards protection, conservation and rehabilitation of forests and also promoted farm forestry, bamboo and mangrove forests development, as well as development of woodlots and other commercial forests. Restoration and rehabilitation of the country's strategic water towers, degraded landscapes, wetlands and Agroforestry and Commercial Forestry was also core in the Ministry's agenda during the period under review.

Finally, I wish to acknowledge all our strategic partners who enabled us realize tremendous achievements over the last one year and commit that the Ministry will continue to effectively play its role as articulated in the Kenya Constitution of providing every Kenyan with access to a clean and healthy environment and utilizing natural resources sustainably.


Dr Deborah M. Barasa
Cabinet Secretary

6. Statement by the Principal Secretary



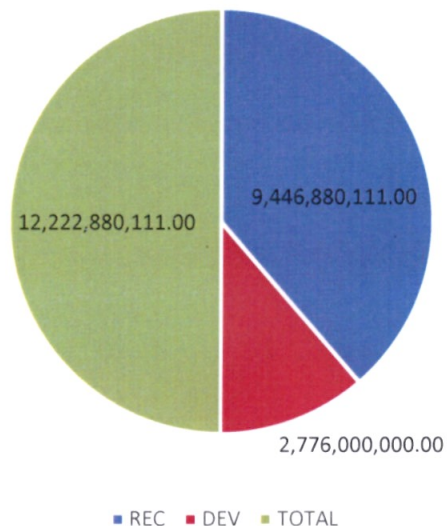
The State Department for Forestry in the Ministry of Environment, Climate Change and Forestry was established by the Executive Order No. 1 of 2023, revised by Order No. 2 of 2023 within the Ministry of Environment, Climate Change and Forestry. Its mandate includes: Forestry Development Policy; Forest Management; Development of Forests reforestation, and Agro forestry; Support in Climate/Action Change Policy. It also oversees the running of Semi-Autonomous Government Agencies (SAGAs) under its purview namely Kenya Forestry Services (KFS) and Kenya Forestry Research Institute (KEFRI).

To actualize its mandates, it implements four strategic objectives namely: to protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development; to strengthen policy, legal, institutional and integrated planning framework for sustainable management of environment and natural resources; and to promote research, development and the adoption of appropriate technology for sustainable management of forestry and allied resources; to create and coordinate partnerships and collaboration for resource mobilization, and capacity development necessary for sustainable management of environment and natural resources.

During the Financial Years 2024/2025 State Department for Forestry implemented three programmes as: Forestry Development, Management and Conservation with sub-programmes (Forest Conservation and Management, Forestry Research and Development, Ecological Restoration and Management); Agroforestry and Commercial Forestry Development; and General Administration, Planning and Support Services.

During the period under review, the State Department for Forestry was allocated a budget amounting to KShs. 12, 222, 880 million for the Financial Year 2024/25. The budget comprised of KShs. 9,446,880,111 million for recurrent budget and KShs. 2,776,000,000 million for development budget. The recurrent expenditure was KShs. 9,432,610,580.05 while development expenditure was KShs. 2,742,038,048.60. Total resource allocation for the period under review was KShs. 12,222,880 million while expenditure was KShs.12,174,648,628.66 resulting in an absorption rate of 99%.

BUDGET VS EXPENDITURE



To create enabling Policies, legal framework and institutional strengthening for forest management and conservation, the State Department for Forestry and its State Corporations under its purview made an intensive protection measures which ensured that 2.602 Million Ha of gazetted public forests were well secured against all forms of threats and degradation activities, production of 82,000,000 Seedlings by KFS; 842,000,000 Trees planted, cumulatively reported by MDAs and private sector both by Jaza Miti and Manual Reporting; Refurbishment of 7 KFS tree nurseries; restoration of 14,618 Ha of degraded natural forests, 1529.7 Ha of woodlots established in private farms and 118 Kilometers of forest roads maintained.

To promote research, development and the adoption of appropriate technology for sustainable management of forestry and allied resources; 21 Forest research technologies developed and disseminated, collected 75,789 kg tree seed species; increased tree seed source acreage by maintaining and assessing 116 ha of seed stands and seed orchards across various eco-regions; developed 5 forest products; and conducted 43 field days to disseminate technologies across various Eco regional centers.

The achievement of the outputs was faced with challenges which included: Inadequate budget provision. In order to minimize effects of some of the challenges, the State Department

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established various committees to provide guidance on implementation priorities. The spending units developed annual work plans and procurement plans to guide implementation.

I wish to thank the Heads of various Directorates and Divisions in State Department for Forestry for their leadership and ensuring that the funds were applied for the purposes they were budgeted for. I also thank all the staff for their commitment to duty and stakeholders who partnered with us in various aspects.



Gitonga Mugambi, CBS

Principal Secretary, State Department for Forestry

7. Statement of Performance Against Predetermined Objectives for Financial Year 2024/2025

Section 81(2) (f) of the Public Finance Management, Act, 2012 requires that, at the end of each financial Year, the accounting Officer presents a Statement of Performance against predetermined objectives of the Statement Department.

The Key Strategic Objectives as per the Strategic Plan for 2023-2027 are to:

- a) To protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development;
- b) To promote research, development and the adoption of appropriate technology for sustainable management of forestry and allied resources;
- c) To strengthen policy, legal, institutional and integrated planning framework for sustainable management of environment and natural resources
- d) To create and coordinate partnerships and collaboration for resource mobilization, for sustainable management of forestry resources.

Expenditure in the Financial Year 2024/25 was geared towards realization of the aforementioned strategic objectives as captured in the Strategic Plan for 2023-2027 which linked to specific programmes outcomes, outputs and performance indicators as tabulated against the actual achievements as presented in the Programme performance table below.

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Table xx1: Programme performance

Program	Strategic Objective	Outcome	Output	Output Indicator	Achievement for the FY 2024/25			Remarks
					Target	Actual	Variance	
Forest Conservation and Management	To protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development;	Increased forest and tree cover for improved livelihoods	Tree Seeds produced	Kgs of Seeds produced	100,000	75,789	24,211	Target not achieved due to delay of exchequer release.
			Seedlings produced	No. of Seedlings produced(Millions)	50	82	32	
			Refurbish and expand existing Tree Nurseries	No. of KFS TNs refurbished	7	7	0	The target achieved
			Forest areas rehabilitated	Ha of degraded natural forest areas rehabilitated	50,000	14,618	-35,382	Under achievement due to zero budget on Development
			Forest areas rehabilitated	Ha of degraded forests rehabilitated	3,000	2,895	-105	Rehabilitate 2,895 Ha of degraded natural forest areas through enrichment planting
				Ha of bamboo forest planted	300	25	-285	Under achievement due to insufficient fund
			Commercial farm forests	Ha of commercial farm forests planted	1,500	700	-355	Under achievement due to insufficient fund
			Forest roads	Kilometers of forest roads maintained	150	118	-32	118 Km of forest road improvement
			Modern fire fighting equipments, acquired	No. of forest fire fighting vehicles acquired	26	18	-8	To be continued in 2025/26
Forest Research and Development	To promote research, development and	Develop sustainable forest	Forest research technologies	No. of techlogies on tree seed pre treatment	3	3	0	Target achieved

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the adoption of appropriate technology for sustainable management of forestry and allied resources;	research and allied technologies	No. of technologies for Silvicultural management for indigenous tree species	1	1	0	
		No. of technologies on forest pests, diseases and fires	2	2	0	
		No. of Technologies for restoration of Degraded landscapes	2	2	0	
		No. of forest products developed	5	5	0	
		No. of Technologies on management and of control of invasive species	2	2	0	
		No. Technologies on difficult to propagate tree species	3	3	0	
		No. of technologies on Aerial seeding and seed ball	1	1	0	
		No. of technologies on Tissue culture for trees that are difficult to seed	1	1	0	
		Seed sources maintained	Ha of seed sources maintained	72	116	44
Seed Centres cionstructed and Equiped	No of seed processing units constructed.		7	0	-7	The seed centers are at average of 87% completion. -

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				No. of seed processing Units equipped	11	3	8	Supplies for equipping Seed Centers in Migori, Maseno and Kakamega were delivered
Agro- Forestry and Commercial Forestry Development	To strenthen and enhance agroforestry and commercial forestry development.	Improved livelihoods	Private and community land for agroforestry mapped	Area in hectares	10,000	-		Target not achieved due to budgetary constraints
			Nature-based enterprises developed	No. of enterprises developed	200	24		
General Administration , Planning and Support Services	To strengthen policy, legal, institutional and integrated planning framework for sustainable management of environment and natural resources	Improved service delivery	Forestry policies, bills and regulations developed	No. of forestry policies and strategies developed	1 Policy	1 Policy	0	Forest Conservation and Management reviewed Act and Bill, Finalized and submitted to cabinet for approval • 8 Draft regulations developed under FCMA Act.
					4 Regulation	8 Regulations	-4	
					% completion of the National Commercial Forestry development	100	50	Draft Commercial forestry strategy developed
Resource mobilization and collaborations	To create and coordinate partnerships and collaboration for resource mobilization, for sustainable	Increase in resources for sustainable forestry resources	Amount mobilized	Amounts in Ksh.	The SDF was allocated a budget amounting to KShs. 12,222,880,111 during the Financial Year 2024/25	The department was able to utilized Kshs.12,172 ,844,597.Re presenting 99% absorption		The SDF continues to developed Concept Notes/Proposal for resource mobilization

8. Governance Statement

1. Key Leadership/Governance Structure

The State Department for Forestry operates under the **Ministry of Environment, Climate Change and Forestry**. Its governance and leadership structure is designed to ensure effective formulation and implementation of forestry policies, programs, and sustainable forest management.

i. The Cabinet Secretary and Principal Secretary

The Cabinet Secretary provides overall policy leadership, coordination and oversight in the formulation and implementation of national strategies on environmental protection, climate change and sustainable forest management, while also representing Kenya in regional and international forums. The Principal Secretary, under the guidance of the Cabinet Secretary, is responsible for the day to day administration, policy implementation and coordination of forestry programmes, including forest conservation, afforestation, regulation of forest resources and ensuring effective service delivery within the forestry sector. Together, the Cabinet and Principal Secretary work to align forestry and environmental goals with national development and global commitments.

ii. Secretary Forest Development

A senior technical officer responsible for overseeing the technical aspects of forestry management. Provides leadership in areas such as forest conservation, afforestation, reforestation, forest policy, and community forest management.

iii. Secretary Administration

The Secretary, Administration is a senior officer in the State Department for Forestry under the Ministry of Environment, Climate Change, and Forestry. The position primarily supports the Principal Secretary in the coordination and management of administrative and support services within the department.

iv. Heads of Directorates/Divisions

Each directorate is led by a director who oversees program implementation within their respective mandate.

2. Management Committees

i. Audit Committee

The mandate of the audit committee included:-

- Assisting the accounting officer in enhancing internal controls in order to improve efficiency, transparency and accountability;
- Reviewing audit issues raised by both internal and external auditors;

- Resolving unsettled and unimplemented Public Accounts and Public Investments Committees (PAC/PIC) recommendations; and,
- Communication between Management, internal and external audit and fostering an effective internal audit function.

ii. Senior Management Committees

In the State Department for Forestry, the Senior Management Committees (SMCs) play a critical role in:

- Providing Strategic leadership and policy direction.
- Coordination and monitoring of departmental plans and programs.
- Review of performance, progress reports, and emerging sectoral issues.
- Ensures alignment with national priorities and ministry-wide strategies.

iii. Departmental Human Resource Management Advisory Committee (HRMAC)

The main functions of this committee is to:

- Advises on HR planning, recruitment, deployment, training, promotions, and discipline.
- Addresses staffing gaps and succession planning.
- Ensures compliance with the Public Service Commission and HR policies.

iv. Performance Contract Committee

Performance Contract committee provide the following functions as:

- Oversees development, implementation, and evaluation of Performance Contracts.
- Monitors achievement of targets and key indicators.
- Prepares quarterly and annual performance reports

v. Projects Implementation Committee

Functions:

- Provides guidance and oversight on implementation of technical forestry projects and programs.
- Tracks progress and reports on deliverables.
- Advises on policy and operational improvements for project execution.

vi. Budget Implementation Committee

Functions:

- Preparation of the State Department's budget,
- Reviews the utilization of cash limits and donor funds voted in the State Department including reallocation of expenditures from time to time.
- Reviews and considers the cash flow plans and ensures sound financial reporting including advising the Accounting Officer on any challenges related to Budget Implementation.

vii. Parliamentary Committee Activities

The State Department appears before the Departmental Committee on Environment and Natural Resources to review the budget allocations and expenditures from time to time. The State Department appears before Public Accounts Committee (PAC) to respond to audit issues raised by the Auditor General in the various Audit Reports.

viii. Procurement and Disposal Committee

The Committee functions are:

- a. Oversees procurement processes, from planning to contract award.
- b. Ensures compliance with the Public Procurement and Asset Disposal Act.
- c. Manages disposal of unserviceable, obsolete, or surplus stores/assets.
- d. Promotes staff wellness, occupational safety, and a healthy work environment.
- e. Organizes wellness programs and employee support services.

3. Risk Management Policies

i. Environmental and Climate Risk Mitigation

As part of forestry conservation and climate resilience efforts, the department implements policies to mitigate: Deforestation and illegal logging, Forest fires and Encroachment and land-use conflicts

ii. Internal Controls and Compliance Audits

- Risk management is supported by strong internal controls, audit procedures, and financial oversight.
- Internal audits help identify potential financial and operational risks and recommend improvements.
- Compliance with procurement laws, environmental regulations, and governance frameworks is regularly reviewed.

4. Report on recent Training and development on governance for those in key leadership

Presided over by the Principal Secretary for Forestry, Project Advisory Committee (PAC) for the AFR100 restoration initiative was inaugurated, the event signaled high level stakeholder engagement in governance structures, with partners including FAO and GIZ, focused on forest landscape restoration in Baringo and ELgeyo Marakwet Counties.

JICA workshop that brought together key stakeholders to consult on the governance and functionality fo Kenya’s Forest Information Platform (FIP), a critical interface of the National Forest Monitoring System (NFMS).

Public participation forums were held under the leadership of the Forestry, Principal Secretary, Mr. Gitonga Mugambi to gather stakeholder input on proposed Forest Conservation and Management Regulations and the Forest Conservation and Management (Amendment) Bill, 2025. These forums emphasized enhancing forest governance, institutional coordination, carbon management, community involvement and regulatory oversight.

5. Public participation activities

During the Financial year 2024/2025, the State Department conducted various public participation sessions in regards to development of its 8 regulations aimed at implementing the Forest Management and Conservation Act 2016. The Forest Management and Conservation Amendment Bill 2025 also went through the rigoriuos public participation session and is awaiting the National Assembly approval. The department has also undergone the public participation on the development of the major Strategies like the REDD+ and the Agroforestry. All these are necessary pursuant to article 201 of the Constitution of Kenya.

6. Compliance with laws and regulations

i. Environmental Laws and Forestry Acts

- The Forest Conservation and Management Act, 2016: Main law governing forest management, conservation, and utilization in Kenya.

- Environmental Management and Coordination Act (EMCA), 1999: Requires environmental impact assessments (EIAs) for forestry activities and compliance with environmental regulations.
 - Wildlife Conservation and Management Act, 2013: Protects wildlife habitats within forests.
 - Water Act, 2016: Forest conservation in catchment areas critical for water resources.
 - Climate Change Act, 2016: Requires the forestry sector to contribute to climate change mitigation through reforestation and afforestation.
- ii. Financial Management & Procurement Laws**
- Public Finance Management Act, 2012: Governs the management of public funds.
 - Public Procurement and Asset Disposal Act, 2015: Guides the procurement of goods, services, and works.
 - Internal and External Audit Requirements: Regular audits by the Office of the Auditor-General and internal audit units.
- iii. Labour Laws and Occupational Health**
- Employment Act, 2007: Governs employment terms and worker rights.
 - Occupational Safety and Health Act, 2007: Ensures safety and health in forestry operations.
 - Work Injury Benefits Act, 2007: Provides for compensation in case of work-related injuries.
- iv. Governance and Administrative Compliance**
- Leadership and Integrity Act, 2012: Requires ethical conduct and transparency.
 - Access to Information Act, 2016: Ensures the public has access to forestry data and reports.
 - Data Protection Act, 2019: Protects personal data collected during forestry activities.
- v. Sectoral Policies and International Commitments**
- Forest Policy (2023): Guides sustainable forest management.
 - National Climate Change Action Plans (NCCAP): Forestry contributes to Kenya's carbon sink targets.
 - International Conventions:
 - ✓ Convention on Biological Diversity (CBD)
 - ✓ United Nations Framework Convention on Climate Change (UNFCCC)
 - ✓ United Nations Convention to Combat Desertification (UNCCD)
- vi. Reporting and Accountability**
- Preparation of Annual Work Plans, Performance Contracts, and Strategic Plans.
 - Submission of quarterly and annual reports to the respective authorities
 - Compliance with BETA, Vision 2030, and Medium-Term Plans (MTPs).

9. Management Discussion and Analysis

The State Department plays a vital role in promoting the development of forests, including reforestation, rehabilitation and agroforestry efforts and is responsible for conducting forestry research to ensure ecological balance within forest ecosystems. The approaches in the State Department involves: Forestry governance coordination and strengthened, Conservation, protection, restoration and management of forest ecosystems, Development of agroforestry and commercial forestry, Resource mobilization and Partnership and Climate change adaptation and mitigation.

The key major project is the Tree Growing Campaign and Rangeland Restoration of growing 15 billion trees by 2032 by Producing and distributing tree seeds, producing seedlings and coordinating growing of trees by State and Non- State actors through the JazaMiti application, rehabilitating degraded forest areas, establishing of forest plantations, rehabilitating Bamboo and strengthen protection of 2.6 million Ha of closed canopy forests.

a. Key Programs/project

The key major project is the **Tree Growing Campaign and Rangeland Restoration** programs Conservation, Protection, Restoration and Management of Forest ecosystems- The overall objective is to Increase the National tree cover to 30% by growing 15 billion trees for climate change resilience and improved livelihoods.

b. Compliance with statutory requirements.

i. Environmental Laws and Forestry Acts

- The Forest Conservation and Management Act, 2016: Main law governing forest management, conservation, and utilization in Kenya.
- Environmental Management and Coordination Act (EMCA), 1999: Requires environmental impact assessments (EIAs) for forestry activities and compliance with environmental regulations.
- Wildlife Conservation and Management Act, 2013: Protects wildlife habitats within forests.
- Water Act, 2016: Forest conservation in catchment areas critical for water resources.
- Climate Change Act, 2016: Requires the forestry sector to contribute to climate change mitigation through reforestation and afforestation.

ii. Financial Management & Procurement Laws

- Public Finance Management Act, 2012: Governs the management of public funds.
- Public Procurement and Asset Disposal Act, 2015: Guides the procurement of goods, services, and works.
- Internal and External Audit Requirements: Regular audits by the Office of the Auditor-General and internal audit units.

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vi. Reporting and Accountability

- Preparation of Annual Work Plans, Performance Contracts, and Strategic Plans.
- Submission of quarterly and annual reports to the to respective authorities
- Compliance with BETA, Vision 2030, and Medium-Term Plans (MTPs).

c. Major risks facing the state Department

i. Environmental & Ecological Risks

- Deforestation & Forest Degradation: Illegal logging, charcoal production, and encroachment by local communities, developers, and farming activities.
- Climate Change Impacts: Prolonged droughts, floods, and wildfires threatening forest health and regeneration.
- Invasive Species & Pests: Spread of invasive plant species and forest pests reducing biodiversity.

ii. Governance & Compliance Risks

- Corruption & Mismanagement: Risk of corrupt practices in forest concessions, timber licensing, and resource allocation.
- Non-Compliance with Statutory Requirements: Possible legal sanctions if environmental, procurement, or financial laws are violated.

iii. Financial & Resource Constraints

- Inadequate Funding: Insufficient budget allocations for forestry operations, afforestation programs, and conservation projects.

- Dependence on Donor Funding: High reliance on development partners, risking program sustainability if funding is withdrawn.

iv. Socio-Economic Risks

- Community Conflicts: Disputes over forest resource use, human-wildlife conflicts, and unclear benefit-sharing mechanisms.
- Land Tenure Issues: Overlapping land ownership claims in forested areas leading to disputes and delays in forest management.
- Population Pressure: Growing demand for land and forest products due to rising population.

v. Material Arrears in Statutory and Other Financial Obligations

The State Department for Forestry, like many public institutions, occasionally faces challenges in meeting some of its statutory and financial obligations. These arrears often stem from budgetary constraints, delayed exchequer releases, and competing priority expenditures.

vi. Review of the economy and sector

The forestry sector contributes about 3.6% of Kenya's GDP which valuation of wood fuel, non-timber products, ecosystem services, and informal activities, however the State Department suggests a more inclusive valuation could raise forestry's level of GDP, once ecosystem services are comprehensively accounted for. Currently the State Department with the assistance from Kenya National Bureau of Statistics is in the process of developing National Forest Accounts which will give clear valuation of forestry.

Kenya's economy has remained resilient, growing average percentage of 5% GDP in recent years, driven by agriculture, services, manufacturing, and construction. However, economic shocks such as climate change, fluctuating global commodity prices, and fiscal constraints continue to affect growth. The forestry sector contributes to socio-economic development, supports livelihoods, and underpins key sectors such as agriculture, energy, and tourism. The forestry sector contributes about **3.6% of Kenya's GDP** directly and more through ecosystem services.

vii. Future development

The Presidential directive that aims to achieve 30% forest cover by 2032, position forestry as a driver of green growth, climate resilience, and job creation. To achieve this some of the development will include: Policy reforms like current underway of the 2025 amendment of the Forest Conservation and Management Act, plus eight supporting regulations focused on licensing, benefit sharing, and public-private collaboration, Commercial scaling, Department expanding private forestry and

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Agroforestry across private & community lands, improving ecosystem restoration under AFR100 and integrating Payment of Ecosystem Service and Carbon markets and expanding of Institutional Systems through data strengthening capacity and deploying tools for Monitoring and Tracking November Tree Growing Day that aims to achieve **30% forest/tree cover by 2032**. The initiative remains a flagship, integrated into Vision 2030 and Kenya's climate agenda .

10. Environmental and Sustainability Reporting

a. Sustainability Strategy and Profile

Top management in the State Department for Forestry is responsible for, Oversight and compliance enforcement to prevent illegal logging and forest encroachment, mainstreaming climate change resilience into forestry projects and planning, mobilizing resources and partnerships for afforestation, forest rehabilitation, and climate-smart forestry and advocating for green financing and carbon credit programs.

Policy and Legal Frameworks: Kenya's policies (e.g. Forest Conservation and Management Act, 2016) and the Climate Change Act, 2016 shape sustainability efforts and Political Will that is increased political attention to climate change and the green economy has improved prioritization of forest programs, especially under initiatives like the 30% tree cover target.

On microeconomic issues there is Limited national budgets, competing priorities and public debt burden affect funding for forest conservation. Donor and Climate Finance: Forestry programs depend heavily on international donors, carbon markets, and development partners for support.

The State Department for Forestry is aligning its policies with global forestry and sustainability benchmarks, including Sustainable Development Goals (SDGs), Agenda 2063 REDD+ (Reducing Emissions from Deforestation and Forest Degradation) Forest Landscape Restoration (FLR), in line with the Bonn Challenge, Kenya has pledged to restore 5.1 million hectares of deforested and degraded land by 2030. International Conventions which includes Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC) and United Nations Convention to Combat Desertification (UNCCD)

b. Environmental Performance / Climate Change / Mitigation of Natural Disasters

Environmental Policy Guiding the Organization includes: The Environment Management and Coordination Act (EMCA), 1999 (Revised 2015), The Forest Conservation and Management Act, 2016, The Climate Change Act, 2016, National Climate Change Action Plan (NCCAP) and National Forest Policy (2023)

On Successes there is Increase in Forest Cover: Kenya's forest cover increased due to tree growing campaigns, including the 15 Billion Trees Campaign.

Shortcomings in the State Department includes: Illegal Logging and Encroachment, Inadequate Funding and Data and Monitoring Gaps.

Forestry operations generate minimal industrial waste, however the department adheres to following waste management policy as: Environmental Management Plans (EMPs) for all major projects, Waste

segregation and recycling at forestry nurseries and offices and Promotion of eco-friendly technologies in charcoal production and timber harvesting.

Efforts to Reduce Environmental Impact of Products is done through: Sustainable Timber Harvesting that is Promoting certified sustainable forest products to reduce illegal logging, Charcoal Regulation by supporting modern kilns and alternative energy to reduce reliance on inefficient traditional charcoal methods and Promoting green economy principles across forestry operations and value chains.

c. Employee Welfare

The hiring process at the State Department for Forestry is guided by: The Public Service Commission Act, 2017, Human Resource Policies and Procedures Manual for the Public Service (2023), Diversity and Inclusion Policy for the Public Service (2021) and Constitution of Kenya, 2010 – Article 232 (Values and Principles of Public Service)

Key Hiring Principles including: Merit-based recruitment to ensure qualified and competent staff, Affirmative action to promote inclusion of marginalized and underrepresented groups, Gender mainstreaming: The department adheres to the two-thirds gender rule, promoting equitable representation of both men and women in employment and Continuous Improvement: Recruitment and HR policies are reviewed every 3–5 years in line with evolving labor laws and national policies. The department provides regular in-service training, workshops, and courses like the Kenya School of Government. Career Progression Guidelines is done by structured job grading and promotion paths exist, aligned to the Public Service Commission's schemes of service and Mentorship and Succession Planning.

Every staff member undergoes annual appraisals tied to individual work plans and departmental performance targets. Appraisals form the basis for promotion, training needs, or redeployment.

The State Department for Forestry adheres to the Occupational Safety and Health Act (OSHA), 2007.

d. Operational Practices

The State Department for Forestry upholds responsible and transparent operational practices in line with public procurement laws and ethical governance standards. Its commitment to sustainable and responsible supply chain management is evident through the following initiatives: Procurement Framework and Compliance which includes: The Public Procurement and Asset Disposal Act (PPADA), 2015, The Public Finance Management (PFM) Act, 2012 and Public Procurement Regulations, 2020.

All major procurements are advertised publicly via the PPIP (Public Procurement Information Portal) and relevant media, allowing for fair competition. Suppliers are prequalified through vetting processes that include assessment of capacity, legal compliance, tax status, and environmental responsibility. The department ensures that once contracts are signed, all deliverables, terms, and timelines are clearly communicated and upheld.

Payments to suppliers are processed in line with the approved budget and PFM timelines, with efforts made to minimize delays and disputes. The department works to honor payment obligations within the 30-90 day timeframe stipulated under public procurement guidelines.

The department allocates at least 30% of tenders to disadvantaged groups as per the Access to Government Procurement Opportunities (AGPO) framework.

e. Community Engagements

Community engagement is a core component of the State Department for Forestry's mandate, ensuring the sustainable management, protection, and restoration of forest resources through active local participation. This is achieved through policy frameworks, practical programs, and capacity-building efforts across the country.

Forest Conservation and Management Act, Legally recognizes the role of Community Forest Associations (CFAs) in co-managing forest resources with the government.

In Tree Growing and Restoration Campaigns, communities are mobilizing to participate in the 15 Billion Tree Campaign, provision of seedlings and technical support to schools, women groups, churches, and local farmers and support for community-based enterprises: beekeeping, nature-based tourism, herbal medicine, and sustainable charcoal production.

11. Statement of Management Responsibilities

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Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Forestry is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the State Department for Forestry (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the State Department for Forestry; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Forestry accepts responsibility for the State Department's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department's financial statements give a true and fair view of the state of State Department's transactions during the financial year ended June 30, 2025, and of the 's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department's, which have been relied upon in the preparation of the State Department's's financial statements as well as the adequacy of the system of internal controls.

The Accounting Officer in charge of the State Department for Forestry confirms that the State Department's has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department's's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly

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accounted for. Further the Accounting Officer confirms that the State Department for Forestry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Forestry's financial statements were approved on 15/08 2025 and signed by:


Gitonga Mugambi, CBS

Principal Secretary

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR FORESTRY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Forestry set out on pages 1 to 58, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Forestry as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury circular No.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Forestry Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on comparable basis of Kshs.12,222,880,111 and Kshs.11,806,573,098 respectively resulting in an under-funding of Kshs.416,307,013. Similarly, the State Department spent Kshs.11,806,388,325 against actual receipts of Kshs.11,806,573,098 resulting to an under-expenditure of Kshs.184,772 of the actual receipts.

The under-funding and under-expenditure may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Issues

In the prior year's audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources.

Review of the status during audit of the State Department in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Budgetary Control and Performance
2	2023/2024	Understaffing in Technical Department
3	2023/2024	Over-establishment of Staff
4	2023/2024	Unauthorized Secondment of an Officer to the State Department

Other Information

Management is responsible for the Other Information set out on page iv to xxxv which comprise of Key MDA Information and Management, Profile of Cabinet Secretary, Profile of Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Principal Secretary, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, the Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the effect of the matters described on the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance on Reporting for Climate Finance Expenditure

The State Department is an entity under environment sector with a vision, mission and mandate to Manage and Conserve Forests. However, the State Department did not

comply with the Treasury Circular by disclosing the amount spent on climate change separately. This was contrary to Treasury guidelines Ref; NAG.3/88 Vol VII (41) dated 4th December, 2024 clause 32 and The National Treasury Circular No.13/2020 dated 1st July, 2020 which requires all State Actors, including Accounting Officers to disclose on climate finance expenditure. This is aimed at guiding and strengthening of efficiency and effectiveness of climate finance flows in the public financial management actions.

In the circumstances, Management was in breach of the guidelines.

2. Failure to Establish Forest Conservation and Management Trust Fund

Review of compliance with environment laws and Forest Conservation and Management Act, 2016, revealed that the State Department has not yet established the Forest Conservation and Management Trust Fund. This was contrary to Section 27(1&2) of the Forest Conservation and Management Act No. 34 of 2016 which states that there is hereby established a Forest Conservation and Management Trust Fund, with the objectives to nurture, promote and support innovations and best practices in forest conservation and development.

In the circumstances, Management was in breach of the law.

3. Violation of the One Third Rule on Basic Salary

Analysis of the payroll revealed gross violation of over-commitment of salaries beyond two thirds of their basic salaries. Nine (9) out of the eleven (11) months running from July, 2024 to May, 2025, had cases of over committed salaries with some taking home as low as 1% of their basic pay.

This was contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016 which states that Public Officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

In the circumstances, Management was in breach of the law.

4. Anomalies in Tree Planting Activities

Field inspection conducted in June, 2025 revealed that in Samburu Kirisia Forest, the State Department planted thirty thousand (30,000) indigenous species of trees in April, 2025 which had a survival rate of approximately 60%. A significant number of trees were dying due to harsh weather conditions.

Further, at Bomet – Chapalungu Forest – Kapchumbe, ten thousand (10,000) seedlings were planted covering an area of one hundred (100) hectares in April, 2025 with 98% survival rate as the growth of trees is hindered by an invasive shrub known as the Mauritius thorn.

In addition, at Maragoli Hills, Management planned to plant five thousand (5,000) tree seedlings in April, 2025. However, no delivery notes, inspection and acceptance reports were provided for audit.

Also in all the projects identified for tree planting, no labelling of the activities carried out by the State Department was identified at the sites and the work plan for the year 2024/2025 did not specify the targeted regions identified for tree planting during the year under review.

In the circumstances, value for money on the expenditure incurred on tree planting could not be confirmed.

5. Non-Compliance with Public Procurement Capacity Building Levy

The State Department did not comply with the requirements of Legal Notice No.206 of 2023 (The Public Procurement Capacity Building Levy Order, 2023) during the financial year 2024-2025. The State Department did not deduct the mandatory levy of 0.03% from all contracts signed after 1st September, 2024. Additionally, a summary of contracts signed after 1st September was not provided for audit review.

In the circumstances, Management was in breach of the law.

6. Non-Compliance with the Reporting Template

The financial statements presented for audit did not comply with the reporting template as the cover page, the statement of management responsibilities and Note to the financial statements did not indicate that they are transitional financial statements.

In the circumstances, the financial statements did not comply with the reporting template as prescribed by the Public Sector Accounting Standards Board.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the State Department's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I

consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


18 December, 2025

State Department For Forestry
Annual Report and Financial Statements for the Year Ended 30th June, 2025.

13. Statement of Financial Performance for the year ended 30 June 2025

	Notes	2024-2025 FY
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	6	5,690,061,950.40
Transfers from Domestic and Foreign Partners	7	2,245,386,639.00
Total		7,935,448,589.40
Revenue from exchange transactions		
Receipts from sale of Seeds and Breeding stock	8	3,791,671,772.00
Receipts from sale of Stocks and Commodities	8	79,452,737.00
Total		3,871,124,509.00
Total revenue		11,806,573,098.40
Expenses		
Employee costs	9	132,895,067
Use of goods and services	10	53,705,265
Transfers to other Government Entities	11	11,119,511,148
Depreciation and amortization expense	13	2,580,098
Other Grants and Subsidies	12	497,129,296
Total expenses		11,805,820,874.00
Other gains/(losses)		
Gain/(loss) on sale of assets		-
Gain/Loss on foreign exchange transactions		-
Gain/Loss on fair value of investments		-
Impairment loss		-
Surplus/Deficit for the year		752,224.40
Taxation		-
Net Surplus/Deficit		752,224.40

The Financial Statements set out on pages 1 to were signed by:



Gitonga Mugambi, CBS
Principal Secretary

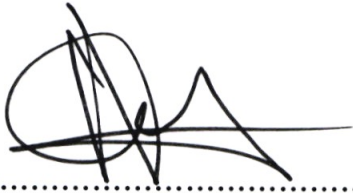


CPA Alice Akinyi Olango
Head of Accounting Unit
ICPAK M/No. 15259

14. Statement of Financial Position as at 30 June 2025

	Notes	2024-2025 FY	Opening Statement 1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	19	1,900,315.45	86,346,848.00
Receivables from Exchange Transactions	20	-	-
Inventories	21	-	-
Total Current Assets		1,900,315.45	86,346,848.00
Non-Current Assets			
Property, Plant and Equipment	33	16,070,092.50	14,409,100.00
Intangible Assets		-	-
Total Non- Current Assets		16,070,092.50	14,409,100.00
Total Assets (a)		17,970,407.50	100,755,948.00
Liabilities			
Current Liabilities			
Trade and Other Payables	36	1,093,540.00	-
Refundable Deposits	37	1,715,543.45	4,349,556.00
Current Provision		-	-
Total Current Liabilities		2,809,083.45	4,349,556.00
Non-Current Liabilities			
Total Non- Current Liabilities		-	-
Total Liabilities (b)		2,809,083.45	4,349,556.00
Net Assets (a-b)		15,161,324.65	96,406,392.00
Represented by:			
Accumulated Surplus		15,161,324.50	96,406,392.00
Capital Fund		-	-
Net Assets		15,161,324.50	96,406,392.00

The financial statements set out on pages 1 to 7 were signed by:



.....
Gitonga Mugambi, CBS
Principal Secretary



.....
CPA Alice Akinyi Olango
Head of Accounting Unit
ICPAK M/No. 15259

15. Statement of Changes in Net Assets for the year ended 30 June 2025

	Accumulated Surplus	Reserves	Capital Fund	Total
Fund balance as at 30th June 2024	81,997,292.00	-	-	81,997,292.00
Adjustments				
Recognition of Assets	14,409,100.00			14,409,100.00
Recognition of Liabilities	-			
As at July 1, 2024	96,406,392.00	-	-	96,406,392.00
Return to Exchequer	(81,997,292.00)			(81,997,292.00)
Surplus/ deficit for the year	752,225.00			752,225.00
As at June 30, 2025	15,161,325.00	-	-	15,161,325.00

16. Statement of Cash Flows for the year ended 30 June 2025

		Current 2024-2025
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequers	6	5,690,061,950.40
Transfer from Foreign Borrowings (Green Zone Project)	7	998,902,617.00
Total receipts		6,688,964,567.40
Payments		
Employee costs	9	132,895,066.90
Use of goods and services	10	53,306,725.15
Transfers to other Government Entities	11	6,001,902,617.85
Other Grants(Headquarters)	12	497,129,295.70
Total payments		6,685,152,736.35
Net cash flows from/(used in) operating activities		3,811,831.05
Cash flows from investing activities		
Purchase of PPE	33	(6,261,072.40)
Net cash flows from/(used in) investing activities		(6,261,072.40)
Cash flows from financing activities		
Return to Exchequer	19	(81,997,292.00)
Net cash flows from financing Activities		(81,997,292.00)
Net increase/(decrease) in cash & Cash equivalents		(84,446,533.35)
Cash and cash equivalents at 1 July 2024	19	86,346,848.30
Cash and cash equivalents at 30 June 2025	19	1,900,314.95

(PSASB has prescribed the use of direct method for cashflow preparation)

State Department For Forestry
Annual Report and Financial Statements for the Year Ended 30th June, 2025.

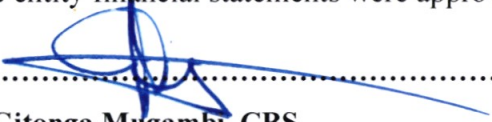
17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Exchequer releases	7,280,930,000.00	(584,049,889.00)	6,696,880,111.00	6,688,964,567.40	7,915,543.60	99.8%
Proceeds from foreign borrowings	1,548,000,000.00	(272,000,000.00)	1,276,000,000.00	1,246,484,021.65	29,515,978.35	97.7%
Proceeds from sale of Cultivated Plants (KFS)	4,474,000,000.00	(300,000,000.00)	4,174,000,000.00	3,791,671,772.00	382,328,228.00	90.4%
Sale of Non Capital Goods (KEFRI)	76,000,000.00	-	76,000,000.00	79,452,737.00	-3,452,737.00	104.5%
Total Receipts	13,378,930,000.00	(1,156,049,889.00)	12,222,880,111.00	11,806,573,098.05	416,307,012.95	96.6%
Payments						
Compensation of employees	106,000,000.00	27,200,000.00	133,200,000.00	132,895,066.90	304,635.00	99.8%
Use of goods and services	70,130,000.00	(12,449,889.00)	57,680,111.00	53,306,725.15	4,373,385.85	92%
Transfers to other government entities	12,885,300,000.00	(856,300,000.00)	11,529,000,000.00	11,119,511,148.35	409,488,851.65	96.5%
Other grants and transfers	315,000,000.00	185,000,000.00	500,000,000.00	497,129,295.20	2,870,704.80	99.6%
Capital Items						
Acquisition of assets	2,500,000.00	500,000.00	3,000,000.00	3,546,090.00	(546,090.00)	118%
Total Payments	13,378,930,000.00	(656,049,889.00)	12,222,880,111.00	11,806,388,325.60	416,491,785.40	96.6%
Surplus				184,772.30		

(a) **Reallocations within the year:** The Changes in original Budget and final budget was due to adjustment in Supplementary I and II.

The entity financial statements were approved on 15/06 2025 and signed by:



Gitonga Mugambi, CBS

Principal Secretary



CPA Alice Akinyi Olango

Head of Accounting Unit

ICPAK M/No.15259

18. Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	184,772.45
1	Cash and cash Equivalent at beginning of the year	86,346,848.00
2	Return to Exchequer	(81,997,292.00)
3	Retention paid out to Bravery Homes Ltd	(2,699,982.40)
4	3 rd Party salary deductions	65,169.85
5.	3 rd Party payment (Amazures Welfare)	800.00
	Closing Cash and Cash Equivalent as per the statement of Cash flows	1,900,315.45

Budget Execution by Programmes and Sub-Programmes for FY 2024/2025

Programme/Sub-programme		Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
		Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1						
Sub-programme 1	1002040000			-	-	-
Sub-programme 2	1018010000			10,452,829,658.00	10,039,506,992.00	413,322,666.00
Sub-programme 3	1018020000			1,611,000,000.00	1,611,000,000.00	-
	1018030000			-	-	-
Programme 2	1018040000			-	-	-
Sub-programme 1						
Sub-programme 2	2024010000			8,515,232.00	7,930,498.10	584,733.90
Sub-programme 3	2025010000			150,535,221.00	147,950,836.30	2,584,384.70
Total				12,222,880.111.00	11,806,388,325.60	416,491,785.40

19. Notes to the Financial Statements

1. Establishment

The State Department for Forestry is established by and derives its authority and accountability from Executive Order No.1 of 2023 and revised on the Order No. 2 the same year. The State Department for Forestry is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is committed to facilitating enabling policies, legal and regulatory reforms for promoting sustainability of the forest resources while at the mitigating the effects of climate change.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the transitional IPSAS accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the State Department For Forestry has been categorized as a Schedule 1 national government entity in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on 30th August, 2025

Guiding note during the transition period:

The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) or the MDA has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st/ 2nd/ 3rd/year financial statements are

transitional financial statements and the following elements of the financial statements have not been recognised as the MDA has taken advantage of the transition provisions outlined in IPSAS 33.

Recognition of Pension accrued

Recognition of Accrued gratuity

Notes to the financial statements

Reporting period

The reporting period for these financial statements is for the period ended 30th June 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis. Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of *MDA* for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. This pursues a number of policy targets and outcomes. However the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation/obligations are recognized where formal contractual obligations have been signed against specific achievable targets.

Purpose and nature of financial instruments

The State Department currently does not have financial instruments. Currently we have no trading transactions that would give rise to interest and principal transactions.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. MDAs commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately as notes to the account.

Physical assets

An asset is a resource presently controlled by the State Department for Forestry as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows.

The State Department will seek valuation of its assets especially vehicles to determine their book value within the 3 year transitional period.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i) New and amended standards and interpretations in issue effective in the year ended 30th June 2025.

There were no new and amended standards issued in the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2025.

Standard		Effective date and impact:
IPSAS 43		<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an MDA.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations		<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

Standard		Effective date and impact:
		<p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45- Property Plant and Equipment</p>		<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>		<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

Standard		Effective date and impact:
		<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue		<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature,</p>

Annual Reports and Financial Statements for the Year Ended 30th June, 2025.

Standard		Effective date and impact:
		amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses		<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans		<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources		<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices

Standard		Effective date and impact:
		<p>for exploration and evaluation expenditures.</p> <p>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</p> <p>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p>

iii) Early adoption of standards

The State Department for Forestry have not adopted any of the amended standard in the preparation of the financial statements for year 2024/25. However, IPSAS 43,44,45 and 46 will make the basis for review and evaluation in 3 year transition period and appropriate adjustment will be carried out to reflect the correct position.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria.

ii) Revenue from exchange transactions

Rendering of services

The MDA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. The State Department for Forestry for did not have any interest income securities.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. Rental income did apply in the financial statements for 2024/2025 as we have no rental buildings.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2024/2025 was approved by the National Assembly in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity's upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity's recorded additional appropriations of xxxx on the 2024/2025 budget following the governing body's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under page 8 of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 4 year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the MDA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Right of use asset

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the State Department for Forestry incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the State Department for Forestry expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

Notes to the Financial Statements (Continued)

f) Tangible Natural Resources

The MDA recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the MDA; the MDA controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criteria is not met, the MDA discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An MDA shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

g) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the MDA. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The MDA also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the MDA will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Notes to the Financial Statements (Continued)

h) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The MDA expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the MDA can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The MDA does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one MDA and a financial liability or equity instrument of another MDA. At initial recognition, the MDA measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) Financial assets

Classification of financial assets

The MDA classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the MDA's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity.

Subsequent measurement

Based on the business model and the cash flow characteristics, the MDA classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit.

Impairment

The MDA assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The MDA recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The MDA classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *MDA*.

l) Provisions

Provisions are recognized when the *MDA* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *MDA* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision¹ is presented in the statement of financial performance net of any reimbursement.

Notes to the Financial Statements (Continued)

m) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The MDA recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the MDA will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

The MDA does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

o) Contingent assets

The MDA does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the MDA in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p) Nature and purpose of reserves

The MDA creates and maintains reserves in terms of specific requirements. **Changes in accounting policies and estimates**

The MDA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

q) Employee benefits

Retirement benefit plans

The *MDA* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an *MDA* pays fixed contributions into a separate *MDA* (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

r) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

s) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

t) Related parties

The *MDA* regards a related party as a person or an *MDA* with the ability to exert control individually or jointly, or to exercise significant influence over the *MDA*, or vice versa. Members of key management are regarded as related parties and comprise the directors and senior managers as shown below:

Annual Reports and Financial Statements for the Year Ended 30th June, 2025.

Cabinet Secretary	Dr. Deborah M. Barasa
Principal Secretary/Accounting Officer	Gitonga Mugambi, CBS
Secretary Administration	Mr. Evans Mutari
Secretary, Forest Development	Mr. George Tarus
Director, Agroforestry and Commercial Forestry Division	Dr. Jesse Owino
Director, Forest Management and Conservation Division	Mr. Walter Omondi
Director, Ecological Restoration and Biodiversity	Mr. Erick Aktosi
Director Human Resource Management & Development	Mr. Omosa Henry
Ag. Director Planning	Mr. Harry Kaudu
Senior Chief Finance Officer	CPA. Tobias Osano
Senior Deputy Accountant General	CPA. Charles Minjire
Director Supply Chain Management	Mr. Kennedy Omari
Head Policy Programs and Strategic Initiatives	Mr. Peterson Kamau
Head of Internal Audit	CPA Wycliffe Muturi
Director I.C.T.	Mr. Rashid Issauc Ali
Head of Public Communication	Ms. Moraa Mogeni
Landscape restoration and degradation secretariat co-ordinator	Mrs. Susan Boit

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

u) Service concession arrangements

The *MDA* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *MDA* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *MDA* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

w) Comparative figures

In preparing these financial statements, the State Department for Forestry has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the MDA's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The MDA based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the MDA. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the MDA.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. There was no Provision for bad debts and obsolete stocks.

Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended 30 th June 2025
	Kshs	Kshs	Kshs
Recurrent	5,191,161,891.95	-	5,191,161,891.95
Development	498,900,058.45	-	498,900,058.45
Total	5,690,061,950.40	-	5,690,061,950.40

7. Transfers from Domestic and Foreign Partners

Description	2024-2025 FY
	Kshs
Foreign Borrowings-Green Zone Project	998,902,617.00
Direct Payments-Green Zone Project	453,583,210.00
Direct Payments-Capacity Development Project	792,900,812.00
Total	2,245,386,639.00

8. Proceeds from sale of Non- Capital Assets

Description	2024-2025 FY
	Kshs
AIA-KFS	3,791,671,772.00
AIA-KEFRI	79,452,737.00
Total	3,871,124,509.00

- i. KFS had AIA budget estimate of Kshs.4,474,000,000 of which Kshs.3,791,671,772.00 was realised reporting 91% of the AIA budget collection.
- ii. KEFRI had AIA budget estimate of Kshs.76,000,000 of which Kshs.79,452,737.00 was realised reporting 104 % of the AIA budget collection.

9. Employee Costs

Description	2024-2025 FY
	Kshs
Basic salaries of permanent employees	94,195,438.35
Basic wages of temporary employees	-
Personal allowances – part of salary	38,699,628.55
Pension and other social security contributions	-
Employer contributions to compulsory national social security schemes	-
Employer contributions to compulsory national health insurance schemes	-
Other social benefit schemes	-
Other personnel costs	-
Employee costs	132,895,066.90

Actual Cashflow

Total Employee costs	Kshs 132,895,066.90
Less 3 rd Party payments for the year in Deposit Account	Kshs. (65,968.25)
Total	Kshs. 132,829,097.65

10. Use of Goods and Services

Description	2024-2025 FY
	Kshs
Utilities, supplies and services	FY-
Communication, supplies and services	3,204,000.00
Domestic travel and subsistence	6,784,172.90
Foreign travel and subsistence	-
Printing, advertising, and information supplies & services	1,716,320.00
Rentals of produced assets	19,999,938.75
Training expenses	1,533,156.00
Hospitality supplies and services	2,807,930.00
Office and general supplies and services	7,013,520.00
Fuel Oil and Lubricants	3,224,000.00
Routine maintenance – vehicles and other transport equipment	1,015,411.25
Routine maintenance – other assets	188,400.00
Other operating expenses	5,819,876.25
Total	53,705,265.15

11. Transfers to Other Government Entities

Description	2024-2025
	Kshs
Transfers to national govt entities- KFS Recurrent	3,468,000,000.00
Transfers to national govt entities- KEFRI Recurrent	1,535,000,000.00
Transfers to national govt entities- KFS AIA	3,791,671,772.00
Transfers to national govt entities- KEFRI AIA	79,452,737.00
Total Transfers to SAGAS	8,874,124,509.00
Transfers to Projects-Green Zone Project Disbursements	998,902,617.90
Transfers to Projects-Green Zone Project AIA	453,583,209.95
Transfers to Projects-Capacity Development Project AIA	792,900,811.50
Total transfers to Projects	2,245,386,639.35
Grant Total	11,119,511,148.35

Breakdown of actual cashflows

Total transfers Kshs.	11,119,511,148.35
Less KFS AIA Kshs.	(3,791,671,77.00)
Less KEFRI AIA Kshs	(79,452,737.00)
Less Direct Payment Greenzone Project	(453,583,209.95)
Less Direct payments Capacity Dev. Project	(792,900,811.50)

Actual cash flow from State Dept For Forestry 6,001,902,617.85

12. Other Capital Grants

Description	2024-2025 FY
	Kshs
Other Capital Grants Head Quarters-National Tree Planting	497,129,296

13. Depreciation and Amortization Expense

Description	2024-2025 FY
	Kshs
Property, plant and equipment	2,580,098.00
Intangible assets	-
Investment property carried at cost	-
Total	2,580,098.00

14. Other Grants and Subsidies

Description	2024-2025 FY
	Kshs
Membership dues and subscriptions to international organizations	-
Scholarships and other educational benefits	-
Emergency relief and refugee assistance	-
Grants to small businesses, cooperatives, and self employed	-
Grants to foreign government	-
Relief to the disabled, the sick, unemployed	-
Subsidies to Public entities	-
Subsidies to Private entities	-
Total Grants and Subsidies	-

15. Gain/Loss on Sale of Assets

Description	2024-2025 FY
	Kshs
	-
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain on sale of assets	-

16. Gain/Loss on Foreign Exchange

Description	2024-2025 FY
	Kshs
Gain or loss on foreign exchange transactions	-
Gain or loss on balances in foreign exchanges	-
Total	-

17. Gain/Loss on Fair Value Investments

Description	2024-2025 FY
	Kshs
Investments at Fair Value	-
Total Gain	-

18. Impairment Loss

Description	2024-2025 FY
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Inventory	-
Total Impairment Loss	-

Income tax expense reported in the statement of financial performance	-
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19. Cash and Cash Equivalents

Description	2024-2025	Opening statement 1 st July 2024
	Kshs	Kshs
Recurrent Account	111,000.15	81,105,216.80
Development Account	73,771.85	892,075.20
Deposits Account	1,715,543.45	4,349,556.00
Cash	-	-
Total	1,900,315.45	86,346,848.30

19 (a) Detailed Analysis of the Cash and Cash Equivalents

		2024-2025 FY	Opening statement 1 st July 2024
Financial Institution	Account number	Kshs	Kshs
Recurrent Account		111,000.15	81,105,216.80
CBK001	1000695528		
Development Accounts		73,771.85	892,075.20
CBK002	1000695552		
Deposits Accounts		1,715,543.45	4,349,556.00
	1000695536		
Others (Specify)		-	-
Cash on Hand		-	-
Mobile Money Accounts		-	-
Sub- Total		-	-
Grand Total		1,900,315.45	86,346,848.30

Notes to the Financial Statements (Continued)

20. Receivables from Exchange Transactions

Description	2024-2025 FY	Opening statement 1 st July 2024
	Kshs	Kshs
Other exchange debtors	xxx	xxx
Less: impairment allowance	(xxx)	(xxx)
Total Receivables	xxx	xxx
a) Current receivables	xxx	xxx
b) Non-current receivables	xxx	xxx
Total receivables (a+b)	xxx	xxx

30 (c) Ageing analysis for Receivables

Description	2024-2025 FY		Opening statement 1 st July 2024	
	Kshs		Kshs	
	Current FY	% of the total	1 st July	% of the total
Less than 1 year	xxx	%	xxx	%
Between 1- 2 years	xxx	%	xxx	%
Between 2-3 years	xxx	%	xxx	%
Over 3 years	xxx	%	xxx	%
Total (a+b)	xxx	%	xxx	%

30 (d) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment allowance	2024-2025 FY
	Kshs
At the beginning of the year	xxx
Additional allowance during the year	xxx
Recovered during the year	(xxx)
Written off during the year	(xxx)
At the end of the year	xxx

Notes to the Financial Statements (Continued)

31 Receivables from Non-Exchange Transactions

Description	2024-2025 FY		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Property tax debtors	Xxx		Xxx	
Levies, fines, and penalties	Xxx		Xxx	
Licences, fees and permits	Xxx		Xxx	
Other debtors (non-exchange transactions)	Xxx		Xxx	
Less: impairment allowance	(xxx)		(xxx)	
Total receivables from non- exchange transactions	xxx		xxx	
Ageing Analysis- Receivables from non-exchange transactions	Current FY	% of the total	Opening Statement 1 st July 20XX	% of the total
Less than 1 year	xxx	%	xxx	%
Between 1-2 years	xxx	%	xxx	%
Over 3 years	xxx	%	xxx	%
Total	xxx	%	xxx	%

31 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

Description	2024-2025 FY
	Kshs
At the beginning of the year	xxx
Additional allowances during the year	xxx
Recovered during the year	(xxx)
Written off during the year	(xxx)
At the end of the year	xxx

32 Inventories

Description	2024-2025 FY		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Consumable stores	xxx		xxx	
Goods held for distribution	xxx		xxx	
Spare parts and meters	xxx		xxx	
Less: allowance for impairment	(xxx)		(xxx)	
Total	xxx		xxx	

Notes to the Financial Statements (Continued)

Detailed disclosure on inventories

	<i>2024-2025 FY</i>
Opening balance	xxx
Additional Inventory in the year	xxx
Inventory expensed in the year	xxx
Write-downs in the year	xxx
Others specify	xxx
Closing balance	xxx

:

Notes to the Financial Statements (Continued)

33 Property, Plant, and Equipment

	Land	Buildings	Motor vehicles	Infrastructure assets	Furniture and fittings	Computers & ICT Equipment	Heritage assets	Work in progress	Service concessions assets	Total
Depreciation Rate		2-10%	10-16.67%	2-20%	12.5%	33.3%	x%			
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1st July 2024	-	-	-	-	10,664,100	3,745,000	-	-	-	14,409,100.00
Additions	-	-	-	-	1,139,720	3,101,370	-	-	-	4,241,090.00
Disposals	-	-	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-	-	-
As At Jun 2025	-	-	-	-	11,803,820	6,846,370	-	-	-	18,650,190.00
Depreciation And Impairment										
Depreciation	-				1,333,013	1,247,085				2,580,098.00
Disposals	-									
Impairment	-									
Transfer/Adjustment	-									
As At 30th June 2025	-				1,333,013	1,247,085		-	-	2,580,098.00
Net Book Values										
Opening Bal as at 1st July 2024	-				10,664,100	3,745,000		-		14,409,100.00
As At 30th June, 2025					10,470,808	5,599,285		-		16,070,093.00

*state department provides for nil depreciation on the year of purchase and full depreciation on the year of disposal

Notes to the Financial Statements (Continued)

Disclosure: Purchase of PPE

PPE bought in the year	4,241,090.00
Less Payables	(680,000.00)
Add Retention paid	2,699,98.40
Total	6,261,072.40

Valuation

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired at , PPE has been valued at the current operational value which is the amount the MDA would pay for the remaining service potential of an asset at the measurement date.

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	0	0	0
Buildings	-	-	-
Plant And Machinery	-	-	-
Motor Vehicles, Including Motorcycles	-	-	-
Computers And Related Equipment	-	1,247,085.00	- 1,247,085.00
Office Equipment, Furniture, And Fittings	-	1,333,012.50	- 1,333,012.50
Work in progress	-	-	-
Total	-	2,580,097.50	- 2,580,097.50

Property plant and Equipment includes the following assets that are fully depreciated

	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	0	-
Motor Vehicles including Motorcycles	0	-
Computers and Related Equipment	0	-
Office Equipment, Furniture And Fittings	0	-
Total	0	-

34 Right- of-use assets

	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Plant and equipment</i>	<i>Total</i>
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2024	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx
As at 30 June 2025	xxx	xxx	xxx	xxx
Accumulated Depreciation				

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As at 1 July 2024	xxx	xxx	xxx	xxx
Charge for the year	xxx	xxx	xxx	xxx
As at 30 June 2025	xxx	xxx	xxx	xxx
Carrying Amount				
As at 30 June 2025	xxx	xxx	xxx	xxx

35 Intangible Assets

Description	2024-2025 FY	
	Kshs	
Cost		
At beginning of the year		xxx
Additions		xxx
Disposal		(xxx)
At end of the year		xxx
Opening Bal 1st July		xxx
Additions–internal development		xxx
Disposal		(xxx)
At end of the year		xxx
Amortization and impairment		
At beginning of the year		xxx
Amortization		xxx
At end of the year		xxx
Impairment loss		xxx
At end of the year		xxx
NBV		xxx

36 Trade and Other Payables

Description	2024-2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Trade payables of Goods and Services		413,540.00		-
Trade payables of PPE		680,000.00		-
Employee payables		-		-
Third-party payments		-		-
Other payables		-		-
Total trade and other payables		1,093,540.00		-
				-
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1st July	% of the Total

		%	-	%
Under one year				
1-2 years	1,093,540.00	100%	-	%
2-3 years	-	-	-	%
Over 3 years	-	-	-	%
Total (tie to above total)	1,093,540.00		-	

37 Refundable Deposits and Prepayments

Description	2024-2025	Opening Bala. As at 1 st July 2024
	Kshs	
Bal b/f as at 1 st July 2024	4,349,556.00	
Customer Deposits Retention Monies	(2,699,982.00)	2,699,982.00
3 rd Party salary deductions	800.00	1,649,574.00
3 rd Party salary deductions	65,169.45	-
At end of the year	1,715,543.00	4,349,556.00

38 Lease Liability

Description	2024-2025 FY
	Kshs
At the start of the year	xxx
Discount interest on lease liability	xxx
Paid during the year	(xxx)
At end of the year	xxx

Maturity Analysis

Period	Amount
Year 1	xxx
Year 2	xxx
Year 3	xxx
Year 4	xxx
Year 5 And Onwards	xxx
Less: Unearned Interest	(xxx)
	xxx

Analysed as:

Description	Amount
-------------	--------

Current	xxx
Non- Current	xxx
Total	xxx

Total	xxx
--------------	------------

39 Employee Benefit Obligations

Description	Define d benefit plan	Post- employe nt medical benefits	Other Benefit s	Openin g Bal As At 1 st July 2024	2024-2025 FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	xxx	xxx	xxx	xxx	xxx
Non-Current Benefit Obligation	xxx	xxx	xxx	xxx	xxx
Total Employee Benefits Obligation	xxx	xxx	xxx	xxx	xxx

Retirement benefit Asset/ Liability (*Applicable to Pensions*)

The MDA operates a defined benefit scheme for all full-time employees from July 1, 2024. The scheme is administered by Public Service Superannuation Scheme while The National Treasury are the custodians of the scheme. The scheme is based on 7.5 percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at 30th June 2025 by xxx actuarial valuers. On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

	2024-2025 FY
Discount Rates	x%
Future Salary Increases	x%
Future Pension Increases	x%
Mortality (Pre- Retirement)	x%
Mortality (Post- Retirement)	x%
Withdrawals	xx%
Ill Health	xx%

Retirement	xx years
------------	----------

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

	<i>2024-2025 FY</i>	<i>Opening Statement 1st July 2024</i>
Description	Kshs	Kshs
The return on defined plan assets	xxx	xxx
Actuarial gains/ losses arising from changes in demographic assumptions	xxx	xxx
Actuarial gains/ losses arising from changes in financial assumptions	xxx	xxx
Actuarial gains and losses arising from experience adjustments	xxx	xxx
Others (specify)	xxx	xxx
Adjustments for restrictions on the defined benefit asset	xxx	xxx
Remeasurement of the net defined benefit liability (asset)	xxx	xxx

b) Amounts recognised in the Statement of Financial Position

	<i>2024-2025 FY</i>	<i>Opening Statement 1st July 2024</i>
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	xxx	xxx
Fair value of plan assets(b)	(xxx)	(xxx)
Funded status(=a-b)	xxx	xxx
Restrictions on asset recognised	xxx	xxx
Others	xxx	xxx
Net asset or liability arising from defined benefit obligation	xxx	xxx

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The MDA also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The MDA's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. - per employee per month. Other than NSSF the MDA also has a defined contribution scheme operated by - Pension Fund. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

40 Borrowings

Description	2024-2025 FY	Opening Statement
	Kshs	1 st July 2024 Kshs
a) External borrowings		
Balance at beginning of the year	xxx	xxx
External borrowings during the year	xxx	xxx
Repayments of during the year	(xxx)	(xxx)
Balance at end of the year	xxx	xxx
b) Domestic borrowings		
Balance at beginning of the year	xxx	xxx
Domestic borrowings during the year	xxx	xxx
Repayments during the year	(xxx)	(xxx)
Balance at end of the year	xxx	xxx
Balance at end of the period- domestic and External borrowings c = a+b	xxx	xxx

The analyses of both external and domestic borrowings are as follows:

	2024-2025 FY	Opening Statement
	Kshs	1 st July 2024 Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	xxx	xxx
Sterling Pound Denominated Loan From 'Y Organisation'	xxx	xxx
Euro Denominated Loan From Z Organisation'	xxx	xxx
Domestic Borrowings		

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Kenya Shilling Loan From KCB	xxx	xxx
Kenya Shilling Loan From Barclays Bank	xxx	xxx
Kenya Shilling Loan From Consolidated Bank	xxx	xxx
Total Balance At End Of The Year	xxx	xxx

Description	2024-2025 FY	Opening Statement 1st July 2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	xxx	xxx
Long Term Borrowings	xxx	xxx
Total	xxx	xxx

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

Notes to the Financial Statements (Continued)

41 Social Benefit Liability

Description	2024-2025 FY	Opening Statement 1 st July 2024
	Kshs	Kshs
Health social benefit scheme	xxx	xxx
Unemployment social benefit scheme	xxx	xxx
Orphaned and vulnerable benefit scheme	xxx	xxx
Elderly social benefit scheme	xxx	xxx
Disability social benefits	xxx	xxx
Total	xxx	xxx
Current social benefits	xxx	xxx
Non- current social benefits	xxx	xxx
Total (tie to totals above)	xxx	xxx

42 Service Concession Arrangements Liability

Description	2024-2025 FY	Opening Statement 1 st July 2024
		Kshs
Fair value of service concession assets recognized under PPE	xxx	xxx
Accumulated depreciation to date	(xxx)	(xxx)
Net carrying amount	<u>xxx</u>	<u>xxx</u>
Service concession liability at beginning of the year	xxx	xxx
Service concession revenue recognized	(xxx)	(xxx)
Service concession liability at end of the year	<u>xxx</u>	<u>xxx</u>

Notes to the Financial Statements (Continued)

43 Cash Generated from Operations

	<i>2024-2025 FY</i>
	Kshs
Surplus for the year before tax	xxx
Adjusted for:	
Depreciation	xxx
Non-cash grants received	(xxx)
Contributed assets	(xxx)
Impairment	xxx
Gains and losses on disposal of assets	(xxx)
Contribution to provisions	xxx
Contribution to impairment allowance	xxx
Working capital adjustments	
Increase in inventory	(xxx)
Increase in receivables	(xxx)
Increase in deferred income	xxx
Increase in payables	xxx
Increase in payments received in advance	xxx
Net cash flow from operating activities	xxx

44 Financial Risk Management

The MDA’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The MDA’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The MDA does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The MDA’s financial risk management objectives and policies are detailed below:

i) Credit risk

The MDA has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or

external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the MDA's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the MDA's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at at July 2025				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

(NB: The totals column should tie to the individual elements of credit risk disclosed in the MDA's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the MDA has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The MDA has significant concentration of credit risk on amounts due from xxx. The board of directors sets the MDA's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the MDA's directors, who have built an appropriate liquidity risk management framework for the management of the MDA's short, medium and long-term funding and liquidity management requirements. The MDA manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the MDA under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

iii) Market risk

The MDA has put in place an internal audit function to assist it in assessing the risk faced by the MDA on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the MDA's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The MDA's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the MDA's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The MDA has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The MDA manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The carrying amount of the MDA's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY 2024-2025

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30th June 2025			
Financial Assets	xxx	xxx	xxx
Investments	xxx	xxx	xxx
Cash	xxx	xxx	xxx
Debtors	xxx	xxx	xxx
Total Financial Assets	xxx	xxx	xxx
Financial Liabilities			
Trade And Other Payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Total Financial Liabilities	xxx	xxx	xxx
Net Foreign Currency Asset/(Liability)	xxx	xxx	xxx

Foreign currency sensitivity analysis

FY 2024-2025

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2025			
Financial Assets	xxx	xxx	xxx
Investments	xxx	xxx	xxx
Cash	xxx	xxx	xxx
Debtors	xxx	xxx	xxx
Total Financial Assets	xxx	xxx	xxx
Financial Liabilities			
Trade And Other Payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Total Financial Liabilities	xxx	xxx	xxx
Net Foreign Currency Asset/(Liability)	xxx	xxx	xxx

The following table demonstrates the effect on the MDA's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three

main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
30th June25			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

b) Interest rate risk

Interest rate risk is the risk that the MDA’s financial condition may be adversely affected as a result of changes in interest rate levels. The MDA’s interest rate risk arises from bank deposits. This exposes the MDA to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the MDA’s deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The MDA analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs nil (2025 : KShs nil). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs nil (2025 – KShs nil)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *MDA's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *MDA* considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

Notes to the Financial Statements (Continued)**iv) Capital Risk Management**

The objective of the MDA's capital risk management is to safeguard the MDA's ability to continue as a going concern. The MDA capital structure comprises of the following funds:

	<i>Insert Current FY</i>
	Kshs
Revaluation Reserve	xxx
Retained Earnings	xxx
Capital Reserve	xxx
Total Funds	xxx
Total Borrowings	xxx
Less: Cash And Bank Balances	(xxx)
Net Debt/(Excess Cash And Cash Equivalents)	xxx
Gearing	xx%

45 Related Party Disclosures**Nature of related party relationships**

Entities and other parties related to the *MDA* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *MDA*, holding 100% of the *MDA*'s equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *MDA*, both domestic and external.

Other related parties include:

- i) Kenya Forest Services (KFS)
- ii) Kenya Forest Research Institute(KEFRI)
- iii) Key management.

Notes to the Financial Statements (Continued)

	<i>Insert Current FY</i>
	Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to govt agencies	xxx
Rent income from govt. Agencies	xxx
Water sales to govt. Agencies	xxx
Others (specify) e.g. interest and bank charges	xxx
Total	xxx
B) purchases from related parties	
Purchases of electricity from KPLC	xxx
Purchase of water from govt service providers	xxx
Rent expenses paid to govt agencies	xxx
Training and conference fees paid to govt. Agencies	xxx
Others (specify)	xxx
Total	xxx
b) Grants /transfers from the government	
Grants from national govt	xxx
Grants from county government	xxx
Donations in kind	xxx
Total	xxx
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for xxx employees	xxx
Payments for goods and services for xxx	xxx
Total	
d) Key management compensation	
Directors' emoluments	xxx
Compensation to key management	xxx
Total	xxx

46 Segment Information

The State Department For Forestry does not have Regional Offices.

Notes to the Financial Statements (Continued)

47 Contingent Assets and Contingent Liabilities

Contingent Assets

	<i>Insert Current FY</i>
	Kshs
Contingent Assets	
Insurance Reimbursements	xxx
Assets Arising from Determination Of Court Cases	xxx
Reimbursable Indemnities and Guarantees	xxx
Receivables From Other Government Entities	xxx
Others (Specify)	xxx
Total	xxx

Contingent Liabilities

	<i>Insert Current FY</i>
	Kshs
Contingent Liabilities	xxx
Court Case xx against the MDA	xxx
Bank Guarantees in Favour of Subsidiary	xxx
Contingent Liabilities arising from Contracts Including PPPs	xxx
Others (Specify)	xxx
Total	xxx

There were no contingent liabilities

48 Capital Commitments

Capital Commitments	<i>Insert Current FY</i>
	Kshs
Authorised for	xxx
Authorised and Contracted for	xxx
Total	xxx

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

Notes to the Financial Statements (Continued)

49 Program for Results (PforR) Disclosure

This disclosure note is for entities implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of PforR: xxxxxx			Name of Financing Partners: xxx and xxx			
Expenditure Details*	Opening Cumulative for Previous FYs		Current FY		Total Cumulative	
	Budget	Actual	Budget	Actual	Budget	Actual
Program code						
Sub-program						
Sub-program						
Sub-total						
Program code						
Sub-program						
Sub-program						
Subtotal						
Total	xx	xx	xx	xx	xx	xx

Expenditure Details - Provide the details per your expenditure framework requirements. (Program, sub-program, and or economic item)*

50 Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

51 Ultimate And Holding MDA

The MDA ultimate parent is the Government of Kenya.

52 Currency

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

20. Appendix

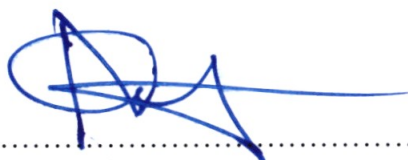
Appendix 1: Implementation Status of Auditor-General’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2023/2024	1.Understaffing of Technical Staff	To be resolved	Not Resolved	One Year
	2.Over establishment of Staff	To be resolved	Not Resolved	One Year
	3.Unauthorized secondment of an officer to the State Department	To be resolved	Not Resolved	One Year

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your MDA responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



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Gitonga Mugambi, CBS

Principal Secretary

Appendix II: Projects implemented by (The MDA)

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
		N/A	N/A	N/A	N/A	N/A
		N/A	N/A	N/A	N/A	N/A

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings	10,664,100	1,139,720	-	-	11,803,820.00
ICT Equipment	3,745,000	3,101,370	-	-	6,846,370.00
Machinery and Equipment					
Biological assets					
Intangible assets					
Work in Progress					
Total	14,409,100	4,241,090.00	-	-	18,650,190.00

Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized			Total Transfers during the Year
					Deferred Income	Receivables	Others - must be specific	
National Treasury		Recurrent	5,191,161,891.95	5,191,161,891.95				5,191,161,891.95
National Treasury		Dev	498,900,058.45	498,900,058.45				498,900,058.45
ADB Loan Green Zone Project		Dev	998,900,058.45	998,900,058.45				998,900,058.45
Green Zone Direct payments		Dev	453,583,209.85	453,583,209.85				453,583,209.85
Capacity Dev Direct payments		Dev	792,900,811.50	792,900,811.50				792,900,811.50
KFS A.I.A		Rec	4,169,209,797.00	4,169,209,797.00				4,169,209,797.00
KEFRI AIA		Rec	71,890,571.00	71,890,571.00				71,890,571.00

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Total			12,176,548,957.00	12,176,548,957.00					12,176,548,957.00
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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix VII: Disaster Expenditure Reporting Template

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments